



GOVERNMENT OF PUERTO RICO

LUIS G. FORTUÑO
GOVERNOR

October 17, 2011

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

The Honorable Michael Copps
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

The Honorable Robert McDowell
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

The Honorable Mignon Clyburn
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Reform of the Universal Service Fund

Dear Mr. Chairman and Commissioners:

I write to add my voice and concern to Representative Pierluisi's as expressed in his letter of September 21, 2011, regarding the state of broadband service in Puerto Rico. The Commission today is facing difficult decisions regarding the reform of the Universal Service Fund program. We understand that this is a complicated task and that each of you is carefully assessing both technical and political challenges to attain a pragmatic solution.

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The decisions you are about to make will have a profound impact upon the economic viability and growth across the United States and territories - perhaps nowhere more than in Puerto Rico. Broadband is a key economic catalyst of our time. Investing in broadband infrastructure capacity and ensuring that all citizens have access and use this technology is a core strategy to ensure economic growth in these tough times. This is especially true in an island state, such as Puerto Rico; which is why closing the digital gap is a priority of my administration.

Working collaboratively with the federal government, we have funded the Connect Puerto Rico initiative that has produced an accurate, granular broadband map and market research to better understand the size and nature of the digital gap in Puerto Rico. The Puerto Rico Telecommunications Regulatory Board, the independent telecommunications regulator, is also implementing a program that will create one public computing center in each of Puerto Rico's 78 municipalities. Such public computing centers are fully funded locally and aim to provide computer access and Wi-Fi connectivity in some of the most at-risk communities across the island. Complementing these efforts, we are providing free access to WiFi networks in government building premises to afford citizens the opportunity to use online services. We have also invested in the expansion of online pr.gov to provide more and better government services to citizens and businesses.

The Puerto Rico Electric Power Authority is implementing pilot programs to leverage its network and expand broadband capacity across the island using LTE network technology and Broadband over Power Lines technology.

At the same time, the Puerto Rico Health Information Network is also working with stakeholders across the healthcare delivery system to ensure that all healthcare providers embrace the benefits of e-healthcare in order to ultimately ensure better health and quality of life for all patients. My administration is also investing heavily to improve broadband capacity across public K-12 institutions and is actively leveraging public-private-partnerships to train K-12 teachers to use online tools as teaching resources, and encourage students and parents to safely use online resources as educational tools.

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These initiatives are part of a comprehensive strategy to expand and promote broadband and IT technology across Puerto Rico. These investments are critical to the sustainability of our economy and the ability of future generations to compete and be productive citizens.

This challenge is perhaps more daunting in Puerto Rico than anywhere else across the US. The data speaks for itself:

- 14% of households across Puerto Rico remain unserved by any fixed broadband networks;
- 21% of households across rural areas of Puerto Rico remain unserved by fixed broadband networks;
- 69% of households across Puerto Rico did not subscribe to broadband in 2010; and
- An estimated 443,000 children across Puerto Rico cannot enjoy the benefits of broadband in the home.

Until we address these dire digital gaps, our efforts to achieve economic sustainability and growth in Puerto Rico will be hampered.

For this reason, Puerto Rico needs the help of the Commission. In particular, as you contemplate the reform of the USF program, I urge you to work collaboratively with my administration and thousands of stakeholders across Puerto Rico to help arrive at fair and effective solutions. With this in mind I bring forward to you the following propositions:

a. Building effective and fair solutions to resolve the infrastructure gap across Puerto Rico

Puerto Rico needs more, not less, High-Cost funding – Data on unserved areas in our Islands reflect availability estimates at the basic speeds of 768 Kbps. The reality is direr when looking at speeds of 4 Mbps or above; speeds that the Commission has proposed as minimum standards to support most basic online activities.

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This is a far cry from the availability estimates across most other US states and jurisdictions. This infrastructure is essential for the economic growth of Puerto Rico. Should Competitive Eligible Telecommunication Carriers become ineligible for funding under the new Connect America Fund, Puerto Rico would see a drastic reduction in USF funding, which would have a profound impact on the overall growth of the market (including both last mile and backhaul infrastructure investments). Puerto Rico supports the notion that only unserved areas should receive subsidies. We hope to work with the Commission to ensure that is the case in Puerto Rico and elsewhere. If the Commission is true to this vision, based on the data available in the National Broadband Map, Puerto Rico ought to receive under the new plan proportionally greater – not lower – subsidies for broadband build-out than most other states.

To ensure that happens, Puerto Rico wants to work with the Commission to **define disbursement mechanisms across the Island that are consistent with the reality on the ground and will achieve reasonable and fair outcomes.** Such principle should prevail whether the Commission opts for a market-based reverse auction disbursement mechanism, or a cost model. America's Broadband Connectivity, or ABC Plan proposed to the Commission, would not achieve this goal. The model proposed by the ABC Plan includes underlying economic assumptions that are demonstrably inconsistent with the reality in Puerto Rico. For example, I am told that this model assumes broadband subscription rates of 90%. While this may be a reasonable assumption in other jurisdictions, potential investors in Puerto Rico broadband networks face the stark reality of subscriber rates of less than half the national US average (in 2010, an estimated 31% of Puerto Rican households subscribed to broadband, compared to 67% across the US). The economics of broadband buildout across Puerto Rico are unique, and models for determining efficient and fair disbursements across the Island need to address these differences.

The impact of such revenue shortfall upon business plans needs to be fully incorporated into any disbursement decisions made by the FCC for Puerto Rico. We extend a collaborative hand to the Commission to find a fair and optimal solution.

b. Working collaboratively with the FCC to expand pilot programs to promote adoption across Puerto Rico

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Across Puerto Rico, digital adoption is drastically lagging behind the US. In 2010, statistics show subscriber rates of less than half the national US average, as well as an estimated 443,000 children across Puerto Rico that lacked broadband at home. With more than 40% of the population having income below the poverty level, the core driver of this low technology penetration is income. As the Commission has pointed out on numerous occasions, broadband provides economic, educational, and inclusion opportunities that today too many Puerto Ricans cannot afford. Unless we jointly and urgently focus on this problem, this technology gap will further add to the substantial income gap.

The Government of Puerto Rico wants to work constructively with the FCC to address the low-income adoption problem across the Island. The Chairman has made it a priority to address the low-income broadband adoption challenge. Unfortunately, there are few places across the nation where that challenge is more acute than in Puerto Rico. We propose to work with the Commission to implement programs that will address the barriers to technology adoption faced by many across Puerto Rico. The goal of such strategies would be twofold: address a core barrier to economic growth and opportunity faced by too many Puerto Ricans, and help resolve in part the High-Cost challenge faced by potential Puerto Rico infrastructure investors. As we succeed in expanding demand for broadband services, we will attract private investment and reduce the need for federal subsidies.

Aided by funding from the NTIA, Department of Commerce, to support broadband mapping and planning efforts in Puerto Rico, in 2011 we have created the Puerto Rico Broadband Taskforce (PRBT), which is Chaired by the CIO of Puerto Rico, Juan Eugenio Rodriguez de Hostos, the Chairman of Puerto Rico's telecommunications regulatory agency, Sandra Torres, serves as Vicechair to the PRBT. The taskforce also includes private stakeholders from an array of sectors representing the broadband ecosystem across the island, including broadband providers, IT companies, educators, healthcare providers, non-profits, representation from local government and the private sector at large. One of the core objectives of the PRBT is to define strategies to address the low-income adoption challenge across Puerto Rico, with particular emphasis upon our disconnected children.

The PRBT is working to built solutions along three main paths:

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- Discounted device and broadband bundled offerings targeting low-income families with children – similar to the Internet Essentials model;
- Programs that would provide mobile connected devices to students in disadvantage K-12 schools – similar to the FCC's pilot model, Learning on the Go; and
- Expansion of publically available IT-Literacy programs and workforce development programs across low-income communities.

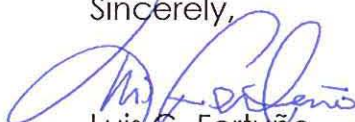
The PRBT is working to determine how best to implement such ideas across Puerto Rico and build a coalition of private and public partners to implement such strategies. With the high percentage of low-income population, and a centralized school system, similar programs could be readily implemented across Puerto Rico. Such programs could help resolve the adoption gap across Puerto Rico, which – in turn – would affect the economics of network build-out on the Island.

We invite the FCC to join us in these efforts. In particular, we propose to explore ways to create or expand pilot programs across Puerto Rico funded through the reformed Low Income program focusing on broadband.

I believe that all the proposals I put forth are fully consistent with the goals that the Commission has outlined as it embarks in the reform of the USF program. The decisions you are about to make will impact Puerto Rico's ability to overcome our digital gap for years and decades to come. The time to act is now. I urge not to miss this opportunity to help turn the tide. I assure you that we stand ready to work hand-in-hand with you to ensure that the precious funds invested in Puerto Rico are spent wisely and effectively.

Like my colleague Rep. Pierluisi, I too am confident that, working together, we can ensure that Puerto Rico is not left to fall further behind in the digital economy.

Sincerely,



Luis G. Fortuño

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